

Wayne Township

Cass County, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2007

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors' Report	2 - 1
3 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	3 – 1
Statement of Activities	3 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3 – 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	3 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	3 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 – 7
Fiduciary Funds	
Statement of Assets and Liabilities	3 – 8
Notes to Financial Statements	3 – 9
4 Required Supplemental Information	
Budgetary Comparison Schedule	
General Fund	4 – 1
Fire Department Fund	4 – 3
5 Other Supplemental Information	
Nonmajor Governmental Funds	
Combining Statement of Revenue, Expenditures and Changes in Fund Balance	5 – 1

Wayne Township
List of Elected and Appointed Officials
March 31, 2007

Township Board

Dr. Frank Butts – Supervisor

Dawn King – Treasurer

Kurt Reich – Clerk

James K. Griggs – Trustee

Mike Krager – Trustee

Independent Auditors' Report

Members of the Township Board
Wayne Township
Dowagiac, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Township as of March 31, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of the basic financial statements.

Yeo & Yeo, P.C.

August 29, 2008
Kalamazoo, Michigan

Wayne Township
Statement of Net Assets
March 31, 2007

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 440,931
Receivables	
Taxes	32,581
Accrued interest and other	1,284
Due from other units of government	47,305
Restricted assets	
Cash and cash equivalents	372
Capital assets, net	<u>928,056</u>
 Total assets	 <u>1,450,529</u>
 Liabilities	
Accounts payable	2,250
Accrued and other liabilities	<u>5,249</u>
 Total liabilities	 <u>7,499</u>
 Net Assets	
Invested in capital assets, net of related debt	928,056
Restricted for:	
K.G. Hatfield	372
Unrestricted	<u>514,602</u>
 Total net assets	 <u>\$ 1,443,030</u>

See Accompanying Notes to Financial Statements

Wayne Township
Statement of Activities
For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government					
Governmental activities					
General government	\$ 139,047	\$ 14,434	\$ 19,665	\$ -	\$ (104,948)
Public safety	104,421	9,500	-	237,500	142,579
Public works	66,843	-	-	-	(66,843)
Health and welfare	19,078	-	-	-	(19,078)
Community and economic development	12,011	12,237	-	-	226
Total governmental activities	\$ 341,400	\$ 36,171	\$ 19,665	\$ 237,500	\$ (48,064)
General revenues					
Property taxes					109,176
State shared revenue					213,899
Unrestricted investment earnings					32,336
Miscellaneous					3,097
Total general revenues					358,508
Change in net assets					310,444
Net assets - beginning of year					1,132,586
Net assets - end of year					\$ 1,443,030

See Accompanying Notes to Financial Statements

Wayne Township
Governmental Funds
Balance Sheet
March 31, 2007

		Special Revenue Funds	Capital Projects Fund	
	General	Fire Department	Fire Equipment Sinking	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 310,126	\$ 17,015	\$ 113,790	\$ 440,931
Receivables				
Taxes	32,581	-	-	32,581
Accrued interest and other	1,284	-	-	1,284
Due from other units of government	47,305	-	-	47,305
Restricted assets				
Cash and cash equivalents	372	-	-	372
Total assets	<u>\$ 391,668</u>	<u>\$ 17,015</u>	<u>\$ 113,790</u>	<u>\$ 522,473</u>
Liabilities				
Accounts payable	2,250	-	-	2,250
Accrued and other liabilities	5,249	-	-	5,249
Deferred revenue	16,634	-	-	16,634
Total liabilities	<u>24,133</u>	<u>-</u>	<u>-</u>	<u>24,133</u>
Fund Balances				
Reserved for:				
K.G. Hatfield	372	-	-	372
Unreserved, reported in:				
General fund	367,163	-	-	367,163
Special revenue funds	-	17,015	-	17,015
Capital project funds	-	-	113,790	113,790
Total fund balances	<u>367,535</u>	<u>17,015</u>	<u>113,790</u>	<u>498,340</u>
 Total liabilities and fund balances	 <u>\$ 391,668</u>	 <u>\$ 17,015</u>	 <u>\$ 113,790</u>	 <u>\$ 522,473</u>

See Accompanying Notes to Financial Statements

Wayne Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities
March 31, 2007

Total fund balances for governmental funds	\$ 498,340
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Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	928,056
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>16,634</u>
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Net assets of governmental activities	<u><u>\$ 1,443,030</u></u>
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Wayne Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

		Special Revenue Funds	Capital Projects Fund		
	General	Fire Department	Fire Equipment Sinking	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 85,198	\$ -	\$ -	\$ -	\$ 85,198
Licenses and permits	16,629	-	-	-	16,629
Federal grants	19,665	237,500	-	-	257,165
State revenue sharing	194,630	-	-	-	194,630
Other state grants	3,919	-	-	-	3,919
Charges for services	6,250	-	-	-	6,250
Interest income	20,770	1,182	6,979	2,121	31,052
Other revenue	29,861	6	10,500	-	40,367
Total revenues	376,922	238,688	17,479	2,121	635,210

See Accompanying Notes to Financial Statements

Wayne Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

		Special Revenue Funds	Capital Projects Fund		
	General	Fire Department	Fire Equipment Sinking	Nonmajor Governmental Funds	Total Governmental Funds
Expenditures					
Current					
General government	\$ 132,534	\$ -	\$ -	\$ -	\$ 132,534
Public safety	11,279	40,075	-	50	51,404
Public works	66,843	-	-	-	66,843
Health and Welfare	19,078	-	-	-	19,078
Community and economic development	12,011	-	-	-	12,011
Capital outlay	408,188	402,907	-	-	811,095
Total expenditures	649,933	442,982	-	50	1,092,965
Excess (deficiency) of revenues over expenditures	(273,011)	(204,294)	17,479	2,071	(457,755)
Other financing sources (uses)					
Transfers in	77,824	195,550	18,000	-	291,374
Transfers out	(58,000)	-	(112,960)	(120,414)	(291,374)
Total other financing sources (uses)	19,824	195,550	(94,960)	(120,414)	-
Net change in fund balance	(253,187)	(8,744)	(77,481)	(118,343)	(457,755)
Fund balance - beginning of year	620,722	25,759	191,271	118,343	956,095
Fund balance - end of year	\$ 367,535	\$ 17,015	\$ 113,790	\$ -	\$ 498,340

See Accompanying Notes to Financial Statements

Wayne Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - Total governmental funds \$ (457,755)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(61,094)
Capital outlay	812,659

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

State shared revenue	15,350
Other revenue	<u>1,284</u>

Change in net assets of governmental activities **\$ 310,444**

Wayne Township
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>46,470</u>
Liabilities	
Due to other units of government	\$ <u>46,470</u>

Wayne Township
Notes to Financial Statements
March 31, 2007

Note 1 - Summary of Significant Accounting Policies

Reporting entity

Wayne Township is governed by an elected five-member Board. The accompanying financial statements present the government.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Township only has governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Wayne Township
Notes to Financial Statements
March 31, 2007

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Department Fund accounts for the protection and safety of the people during emergencies. Funding is primarily through Federal grants.

The Fire Equipment Sinking Fund accounts for maintenance and improvement activities for the fire fighters equipment. Funding is primarily through appropriations from the general fund.

Additionally, the government reports the following:

The nonmajor capital projects funds account for funds being accumulated for the purchase of building additions.

Trust and Agency Fund and Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these

charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Wayne Township
Notes to Financial Statements
March 31, 2007

The 2006 taxable valuation of the government totaled \$67,268,191 on which ad valorem taxes consisted of 0.8756 mills for operating purposes. This resulted in \$58,900 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal yearend.

Prior to March 31, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are conducted to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Wayne Township
Notes to Financial Statements
March 31, 2007

Excess of expenditures over appropriations

Significant expenditure overruns were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Capital outlay	\$ 380,000	\$ 408,188	\$ 28,188

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>
Governmental activities	\$ 440,931	\$ 372
Fiduciary funds	<u>46,470</u>	<u>-</u>
Total	\$ 487,401	\$ 372

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 441,303

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$445,609 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Wayne Township
Notes to Financial Statements
March 31, 2007

Note 4 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
Primary government	
State shared revenue	\$ 15,350
Other revenue	<u>1,284</u>
	\$ 16,634

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Computers	3,900	-	-	3,900
Buildings, additions and improvements	150,000	434,324	-	584,324
Machinery and equipment	<u>205,864</u>	<u>378,335</u>	<u>-</u>	<u>584,199</u>
Total capital assets being depreciated	<u>359,764</u>	<u>812,659</u>	<u>-</u>	<u>1,172,423</u>
Less accumulated depreciation for				
Computers	910	780	-	1,690
Buildings, additions and improvements	74,063	11,827	-	85,890
Machinery and equipment	<u>108,300</u>	<u>48,487</u>	<u>-</u>	<u>156,787</u>
Total accumulated depreciation	<u>183,273</u>	<u>61,094</u>	<u>-</u>	<u>244,367</u>
Net capital assets being depreciated	<u>176,491</u>	<u>751,565</u>	<u>-</u>	<u>928,056</u>
Governmental activities capital assets, net	\$ 176,491	\$ 751,565	\$ -	\$ 928,056

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 8,077
Public safety	<u>53,017</u>
Total governmental activities	<u>\$ 61,094</u>

Wayne Township
Notes to Financial Statements
March 31, 2007

Note 6 - Interfund Receivables, Payable and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. There were no interfund balances as of March 31, 2007.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Township Board Building Sinking	General	\$ 77,824
Fire Equipment Sinking	Fire Department	112,960
Fire Building Sinking	Fire Department	42,590
General	Fire Equipment Sinking	18,000
General	Fire Department	40,000
		<u>\$ 291,374</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. Transfers are also used to move sinking funds monies to the General Fund and Fire Department Fund for capital outlay expenditures.

Note 7 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 9 - Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

Wayne Township
Notes to Financial Statements
March 31, 2007

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause government-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending March 31, 2009. However, measurement is required as of the beginning of the period.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause government-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending March 31, 2010.

Wayne Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes				
Property taxes	\$ 55,000	\$ 55,000	\$ 60,181	\$ 5,181
Penalties and interest	-	-	187	187
Administration fee	11,000	11,000	24,830	13,830
Licenses and permits	17,500	17,500	16,629	(871)
Federal grants	19,000	19,000	19,665	665
State revenue sharing	150,000	150,000	194,630	44,630
State grants	2,000	2,000	3,919	1,919
Charges for services	3,300	3,300	6,250	2,950
Interest income	3,000	3,000	20,770	17,770
Other revenue	25,510	25,510	29,861	4,351
Transfer in	-	75,000	77,824	2,824
Total revenues	<u>286,310</u>	<u>361,310</u>	<u>454,746</u>	<u>93,436</u>
Expenditures				
General government				
Township board	38,300	38,300	34,183	(4,117)
Supervisor	18,250	18,250	16,059	(2,191)
Accounting	250	250	-	(250)
Clerk	15,700	15,700	11,966	(3,734)
Board of review	1,500	1,500	970	(530)
Treasurer	19,250	19,250	17,587	(1,663)
Assessor	24,500	24,500	19,893	(4,607)
Elections	8,600	8,600	8,283	(317)
Buildings and grounds	21,550	21,550	11,607	(9,943)
Cemetery	25,850	25,850	11,986	(13,864)
Total general government	<u>173,750</u>	<u>173,750</u>	<u>132,534</u>	<u>(41,216)</u>

See Accompanying Notes to Financial Statements

Wayne Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Building inspection department	\$ 19,650	\$ 19,650	\$ 11,279	\$ (8,371)
Public works				
Department of public works	99,000	99,000	66,505	(32,495)
Drains	1,000	1,000	338	(662)
Total public works	100,000	100,000	66,843	(33,157)
Health and welfare				
Ambulance	20,250	20,250	19,078	(1,172)
Community and economic development				
Planning	10,850	10,850	1,885	(8,965)
Redevelopment and Housing	14,000	14,000	6,497	(7,503)
Zoning	6,750	6,750	3,629	(3,121)
Total community and economic development	31,600	31,600	12,011	(19,589)
Capital outlay	380,000	380,000	408,188	28,188
Transfers out	60,000	60,000	58,000	(2,000)
Total expenditures	785,250	785,250	707,933	(77,317)
Excess (deficiency) of revenues over expenditures	(498,940)	(423,940)	(253,187)	170,753
Fund balance - beginning of year	620,722	620,722	620,722	-
Fund balance - end of year	\$ 121,782	\$ 196,782	\$ 367,535	\$ 170,753

See Accompanying Notes to Financial Statements

Wayne Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Department
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Federal grants	\$ 237,500	\$ 237,500	\$ 237,500	\$ -
Interest income	-	-	1,182	1,182
Other revenue	-	-	6	6
Transfers in	193,500	196,090	195,550	(540)
Total revenues	<u>431,000</u>	<u>433,590</u>	<u>434,238</u>	<u>648</u>
Expenditures				
Current				
Public safety	40,600	46,825	40,075	(6,750)
Capital outlay	<u>409,000</u>	<u>407,090</u>	<u>402,907</u>	<u>(4,183)</u>
Total expenditures	<u>449,600</u>	<u>453,915</u>	<u>442,982</u>	<u>(10,933)</u>
Excess (deficiency) of revenues over expenditures	(18,600)	(20,325)	(8,744)	11,581
Fund balance - beginning of year	<u>25,759</u>	<u>25,759</u>	<u>25,759</u>	<u>-</u>
Fund balance - end of year	<u>\$ 7,159</u>	<u>\$ 5,434</u>	<u>\$ 17,015</u>	<u>\$ 11,581</u>

Wayne Township
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2007

	Capital Projects Funds		Total
	Township Board		Nonmajor
	Building	Fire Building	Governmental
	Sinking Fund	Sinking Fund	Funds
Revenues			
Interest income	\$ 1,633	\$ 488	\$ 2,121
Expenditures			
Public safety	-	50	50
Excess of revenues over expenditures	1,633	438	2,071
Other financing sources (uses)			
Transfers out	(77,824)	(42,590)	(120,414)
Net change in fund balance	(76,191)	(42,152)	(118,343)
Fund balance - beginning of year	76,191	42,152	118,343
Fund balance - end of year	\$ -	\$ -	\$ -

August 29, 2008

Management and the Board
Wayne Township
P.O. Box 304 P.O. BOX 304
Dowagiac, MI 49047

Dear Board:

We have completed our audit of the financial statements of Wayne Township as of and for the year ended March 31, 2007 and have issued our report dated August 29, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Communication of Internal Control Matters Identified During the Audit

II Auditors' Communication of Significant Matters with Those Charged with Governance

III Management Comments

We discussed these matters with various personnel in the organization during the audit. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Sincerely,

Yeo & Yeo, P.C.

Kalamazoo, Michigan

Appendix I

Communication of Internal Control Matters Identified During an Audit

In planning and performing our audit of the financial statements of Wayne Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Wayne Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Financial Statement Preparation Controls

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for producing reliable financial statements, auditing standards indicate that the Township has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

Appendix II

Communication to Those Charged with Governance

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated March 14, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter to you related to planning matters dated March 14, 2008

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in Note 1 of the financial statements. We noted no transactions entered into by the Township during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.

Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.

Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Appendix III Management Comments

In planning and performing our audit of the financial statements of Wayne Township as of and for the year ended March 31, 2007, we considered Wayne Township's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report dated August 29, 2008, on the financial statements of Wayne Township. Our comments and recommendations regarding those matters are:

Internal Controls Documentation

As part of our audit planning procedures, we are required to obtain an understanding of internal control of the Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete.

Suggestion: We recommend that the Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in the procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

QuickBooks Accounting Software

We noted that the Township uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for a Township's accounting software and there are very good business reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it is in effect deleting the check as of the

date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years.

Suggestion: We recommend that you implement appropriate monitoring procedures to ensure that these inherent limitations in the software are not allowing financial information to be accidentally changed for prior periods. We recommend that at least quarterly, the Treasurer of the organization review the financial statements from QuickBooks. During this review process, careful attention should be given to the Retained Earnings account to ensure that the balance listed on the Balance Sheet continues to match the balance listed on the audited financial statements of the prior year. Any discrepancies should be investigated, and correcting entries made to restore the Retained Earnings balance to the prior year audited amount.